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U.S. EYES TAX DATA ON STUDENT GROUP

But Says Exemption Review
Wasn't Asked by O.I.A.

By BEN A. FRANKLIN

Special to The New York Times

WASHINGTON, Feb. 21 — The Internal Revenue Service is reviewing the tax-exempt status of the National Student Association, Government tax men said today.

At the same time, Thomas D. Terry, a top tax official, "categorically and emphatically" denied speculation among association members and officers that the review had been requested by the Central Intelligence Agency. The C.I.A. declined to comment.

Some student spokesmen have said that loss of the association's tax-exempt status as a nonprofit educational organization might be a way of punishing it for ending its connections with the C.I.A.

But Mr. Terry, a special assistant to Internal Revenue Commissioner Sheldon S. Cohen, said the tax agency's review was started in 1963, long before the students began to think of breaking away from the C.I.A.

Tried to Cut Ties in '63

Student spokesmen have said the association first attempted to arrange for a "gradual withdrawal" from C.I.A. financial support during the summer of 1963.

The tax review apparently resulted, in part, from a reorganization of the student group under which its legal status was changed from that of an unincorporated association to one of a nonprofit corporation, chartered in the District of Columbia. The corporation charter was filed here April 30, 1965.

Under tax regulations, a tax-exempt organization that makes "substantial changes" in its character, purposes or methods of operation is required as a matter of routine to reapply for a continued exemption.

According to Herbert Eltsch, a student association lawyer, such a reapplication was filed with revenue service at about the time the corporation charter was filed.

Mr. Terry said there were other factors in the decision to review the association's tax-exempt status.

Among them, he said, were "complaints from the public about the activities of this tax-exempt organization." The complaints were described as largely "public" protesting the group's exemption.

Standard for Exemption

The Internal Revenue Code authorizes tax-exempt status only for an organization "no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation."

The complaint alleged that the student association had been engaged in such activities. Mr. Terry said, and the revenue service was in the process of making a thorough study of the association's positions and resolutions.

Revenue officials declined to comment of the source of the complaint. It is known, however, that two rightwing organizations — the Life Line Foundation, Inc., and Young Americans for Freedom — have long been urging their followers to protest the student association's exemption.

In a radio broadcast taped last month for local stations, Life Line charged that the association's tax-exempt status amounted to "more subsidized treason."

Young Americans for Freedom had a subsidiary organization called Students to Oppose Participation in the N.S.A. that had also objected to the tax exemption.

The Life Line Foundation lost its own tax-exempt status in March, 1965. H. L. Hunt, the rightwing Texas oil millionaire who heads it, blamed "pressure by liberals" for the revenue service's decision.

Another frequent critic of the association has been Representative James E. Utt, Republican of California. Mr. Utt is regarded as an ultraconservative. In speeches on the House floor, he has charged that the association has violated tax-exempt standards by adopting such public positions as appeals for the abolition of the House Committee on Un-American Activities, for the United States to sponsor Communist Chinese membership in the United Nations, for a halt of United States bombing of North Vietnam and for inclusion of the Vietnamese in any peace negotiations.

Edward Schwartz, the association's national affairs vice president, said here today that the organization has also called for abolition of the draft, for United States opposition to the regime of Prime Minister Ian Smith in Rhodesia, for opposition to the apartheid policy of South Africa, and for greater East-West cultural and trade contacts.

The association has also been an active supporter of the Student Nonviolent Coordinating Committee, a militant civil rights group.

But Mr. Schwartz and Eugene Groves, the association's vice president, said today that "what might conceivably be called the asso-

activities" amount to "no more than 5 per cent" of its total operations.

Its other activities include a student travel service, tutorial projects, scholarship and fellowship programs, student exchange programs and others.

The association received strong support today in a statement by the president of the American Association of University Professors, Prof. Clark Byse of Harvard Law School, and its general secretary, William P. Fiedler.

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